

**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PIKE COUNTY FISCAL COURT**

**June 30, 2008**

The Auditor of Public Accounts has completed the audit of the Pike County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. We have issued a qualified opinion on the aggregate discretely presented component units. We qualified our opinion on the aggregate discretely presented component units because the Pike County Golf Management Corporation, a legally separated component unit, used an accrual basis of accounting for presentation of their financial statements. The Pike County Fiscal Court used a modified cash basis of accounting for presentation of their financial statements. Accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting require component units to be reported under the same basis of accounting as the primary government. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Pike County's major federal program for the year ended June 30, 2008.

#### **Financial Condition:**

The county had total net assets of \$52,135,184 as of June 30, 2008. The county had unrestricted net assets of \$5,255,242 in its governmental activities as of June 30, 2008, with total net assets of \$46,229,418. In its business-type activities, the county had unrestricted net assets of \$1,084,887 with total net assets of \$5,905,767. Total debt principal as of June 30, 2008, was \$17,906,206 with \$1,518,712 due within the next year.

#### **Report Comments:**

- 2008-01 Internal Controls Over Solid Waste Collections Were Weak Resulting In Apparent Misappropriation Of Assets Of The County
- 2008-02 Employee Timesheets Should Accurately Reflect Hours Worked

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pike County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pike County Golf Management Corporation, which represent 31% and 50%, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pike County Golf Management Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Pike County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Pike County Golf Management Corporation, a discretely presented component unit of Pike County Fiscal Court are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statement are not reasonably determinable.



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In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Pike County Golf Management Corporation's financial statements been presented on a modified cash basis of accounting, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Pike County, Kentucky, as of June 30, 2008 and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for Pike County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pike County, Kentucky's basic financial statements. The accompanying supplemental information, combining fund financial statements and component unit fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements, component unit fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have issued our report dated June 23, 2009, on our consideration of Pike County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comment:

- 2008-01 Internal Controls Over Solid Waste Collections Were Weak Resulting In Apparent Misappropriation Of Assets Of The County
- 2008-02 Employee Timesheets Should Accurately Reflect Hours Worked

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

June 23, 2009



**PIKE COUNTY OFFICIALS****For The Fiscal Year Ended June 30, 2008****Fiscal Court Members:**

Wayne T. Rutherford	County Judge/Executive
Jeff Anderson	Magistrate
Vernon Johnson	Magistrate
Leo Murphy	Magistrate
Kenneth Robinson	Magistrate
Lloyd Hillman Dotson	Magistrate
Christian Harris	Magistrate

**Other Elected Officials:**

Howard Keith Hall	County Attorney
Rodney Scott	Jailer
Lillian P. Elliott	County Clerk
David Deskins	Circuit Court Clerk
Charles "Fuzzy" Keese	Sheriff
Lonnie Osborne	Property Valuation Administrator
Russell Roberts	Coroner

**Appointed Personnel:**

Johnda B. Billiter	County Treasurer
Rhonda James	Finance Officer

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**PIKE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**PIKE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Pike County Interlocal 911 Board	Pike County Golf Mngt. Corp. 12/31/07
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 9,394,993	\$ 3,427,499	\$ 12,822,492	\$ 89	\$ 63,074
Receivable Due from Airport Board	51,423		51,423		
Receivable Due from Golf Management	205,833		205,833		
Receivable Due from 911 Board	242,719		242,719		
Assets Held for Resale	592,896	232,400	825,296		
Inventory					1,804
Prepaid Expenses					4,036
Total Current Assets	10,487,864	3,659,899	14,147,763	89	68,914
Noncurrent Assets:					
Capital Assets - Net of Depr.					
Land and Land Improvements	1,171,801		1,171,801		
Buildings	13,042,646	68,112	13,110,758		
Vehicles and Equipment	2,973,044	2,410,156	5,383,200	558,529	182,525
Infrastructure Assets-Net of Depr.	36,227,869		36,227,869		
Total Noncurrent Assets	53,415,360	2,478,268	55,893,628	558,529	182,525
Total Assets	63,903,224	6,138,167	70,041,391	558,618	251,439
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable					18,567
Bonds Payable	390,000		390,000		
Financing Obligations Payable	896,312	232,400	1,128,712		28,242
Total Current Liabilities	1,286,312	232,400	1,518,712	0	46,809
Noncurrent Liabilities:					
Bonds Payable	13,860,000		13,860,000		
Financing Obligations Payable	2,527,494		2,527,494		27,143
Total Noncurrent Liabilities	16,387,494		16,387,494	0	27,143
Total Liabilities	17,673,806	232,400	17,906,206	0	73,952
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	36,334,450	2,478,268	38,812,718	558,529	127,140
Restricted For:					
Capital Projects	4,457,093		4,457,093		
Debt Service	182,633	2,342,612	2,525,245		
Unrestricted	5,255,242	1,084,887	6,340,129	89	50,350
Total Net Assets	\$ 46,229,418	\$ 5,905,767	\$ 52,135,185	\$ 558,618	\$ 177,490

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**

**PIKE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 10,810,646	\$ 516,301	\$ 5,372,798	\$ 961,497
Protection to Persons and Property	4,657,365	2,057,672	739,021	1,570,247
General Health and Sanitation	580,016	33,672	2,000	273,729
Social Services	1,185,775		90,398	
Recreation and Culture	760,619	1,504	110,075	172,500
Roads	5,122,225		2,084,997	
Airports	42,036			
Other Transportation Facilities and Services	1,082,654		4,648,615	
Interest on Long Term and Short Term Debt	499,102			
Capital Projects	264,483			
Total Governmental Activities	25,004,921	2,609,149	13,047,904	2,977,973
Business-type Activities:				
Solid Waste Operations	5,431,080	5,921,284	337,187	
Jain Canteen	138,074	97,765		
Total Business-type Activities	5,569,154	6,019,049	337,187	
Total Primary Government	\$ 30,574,075	\$ 8,628,198	\$ 13,385,091	\$ 2,977,973
Component Units:				
Pike County Inter-Local 911 Board	\$ 502,353	\$	\$ 399,474	\$
Pike County Golf Management Board	428,844	252,355	179,212	
Total Component Units	\$ 931,197	\$ 252,355	\$ 578,686	\$ 0

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Other Taxes  
Excess Fees  
Interest Received  
Transfers  
Gain on Sale of Assets  
Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning -(Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**PIKE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Totals	Pike County Interlocal 911 Board	Pike County Golf Mngt. Corp. 12/31/07
\$ (3,960,050)	\$	\$ (3,960,050)	\$	\$
(290,425)		(290,425)		
(270,615)		(270,615)		
(1,095,377)		(1,095,377)		
(476,540)		(476,540)		
(3,037,228)		(3,037,228)		
(42,036)		(42,036)		
3,565,961		3,565,961		
(499,102)		(499,102)		
(264,483)		(264,483)		
(6,369,895)		(6,369,895)		
	827,391	827,391		
	(40,309)	(40,309)		
	787,082	787,082		
(6,369,895)	787,082	(5,582,813)		
			(102,879)	
				2,723
			(102,879)	2,723
2,033,798		2,033,798		
911,594		911,594		
605,178		605,178		
1,021,246		1,021,246		
697,362		697,362		
184,450	132,115	316,565	790	319
65,000	(65,000)			
	67,900	67,900		
1,121,600		1,121,600		
6,640,228	135,015	6,775,243	790	319
270,333	922,097	1,192,430	(102,089)	3,042
45,959,085	4,983,670	50,942,755	660,707	174,448
\$ 46,229,418	\$ 5,905,767	\$ 52,135,185	\$ 558,618	\$ 177,490

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**

**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Jail Fund</b></u>	<u><b>LGEA Fund</b></u>	<u><b>LGED Fund</b></u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 335,449	\$1,610,968	\$ 211,434	\$ 2,318,416	\$ 263,332
Receivable Due From Airport Bd.				51,423	
Receivable Due From Golf Management				205,833	
Receivable Due From 911 Board	242,719				
Total Assets	<u>\$ 578,168</u>	<u>\$1,610,968</u>	<u>\$ 211,434</u>	<u>\$ 2,575,672</u>	<u>\$ 263,332</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 19,461	\$ 115,845	\$ 54,247	\$ 9,512	\$
Capital Projects					
Debt Service Fund					
Unreserved					
General Fund	558,707				
Special Revenue Funds		1,495,123	157,187	2,566,160	263,332
Total Fund Balances	<u>\$ 578,168</u>	<u>\$ 1,610,968</u>	<u>\$ 211,434</u>	<u>\$ 2,575,672</u>	<u>\$ 263,332</u>

The accompanying notes are an integral part of the financial statements.

**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**

<b>General Obligation Bond Fund</b>	<b>Judicial Center Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 182,633	\$ 4,457,093	\$ 15,668	\$ 9,394,993
			51,423
			205,833
			242,719
<u>\$ 182,633</u>	<u>\$ 4,457,093</u>	<u>\$ 15,668</u>	<u>\$ 9,894,968</u>
\$	\$	\$ 27,578	\$ 226,643
	4,457,093		4,457,093
182,633			182,633
			558,707
		(11,910)	4,469,892
<u>\$ 182,633</u>	<u>\$ 4,457,093</u>	<u>\$ 15,668</u>	<u>\$ 9,894,968</u>

**Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 9,894,968
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	145,563,379
Accumulated Depreciation	(92,148,019)
Assets Held For Resale	592,896
Long-term and short-term debt is not due and payable	
in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(3,423,806)
Bonded Debt	<u>(14,250,000)</u>
Net Assets Of Governmental Activities	<u>\$ 46,229,418</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
<b>REVENUES</b>				
Taxes	\$ 4,531,666	\$	\$	\$
In Lieu Tax Payments	30,459	1,427		
Excess Fees	697,362			
Licenses and Permits	247,543			
Intergovernmental	1,199,949	2,857,265	2,172,837	11,705,586
Charges for Services	34,229		269,519	837
Miscellaneous	124,520	644,937	26,012	32,500
Interest	140,146	2,246		
Total Revenues	<u>7,005,874</u>	<u>3,505,875</u>	<u>2,468,368</u>	<u>11,738,923</u>
<b>EXPENDITURES</b>				
General Government	3,973,915			673,559
Protection to Persons and Property	469,393		2,832,836	1,201,935
General Health and Sanitation	251,248			328,212
Social Services	115,301			1,077,211
Recreation and Culture				1,173,435
Roads	131,497	4,954,592		
Airports				42,036
Other Transportation Facilities				18,352
Debt Service				392,393
Capital Projects				217,000
Administration	1,774,521	1,493,255	948,018	438,105
Total Expenditures	<u>6,715,875</u>	<u>6,447,847</u>	<u>3,780,854</u>	<u>5,562,238</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>289,999</u>	<u>(2,941,972)</u>	<u>(1,312,486)</u>	<u>6,176,685</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Bonds				
Transfers From Other Funds		3,704,842	1,410,000	
Transfers To Other Funds	(693,094)	(689,365)		(5,162,739)
Total Other Financing Sources (Uses)	<u>(693,094)</u>	<u>3,015,477</u>	<u>1,410,000</u>	<u>(5,162,739)</u>
Net Change in Fund Balances	(403,095)	73,505	97,514	1,013,946
Fund Balances - Beginning	981,263	1,537,463	113,920	1,561,726
Fund Balances - Ending	<u>\$ 578,168</u>	<u>\$ 1,610,968</u>	<u>\$ 211,434</u>	<u>\$ 2,575,672</u>

The accompanying notes are an integral part of the financial statements.

**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>LGED Fund</b>	<b>General Obligation Bond Fund</b>	<b>Judicial Center Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$ 7,872	\$ 4,539,538
				31,886
				697,362
				247,543
	239,490			18,175,127
				304,585
185,712			16,083	1,029,764
21,377	15,954	4,576	150	184,449
207,089	255,444	4,576	24,105	25,210,254
876,306				5,523,780
			8,208	4,512,372
				579,460
				1,192,512
				1,173,435
				5,086,089
				42,036
			1,064,302	1,082,654
	781,875			1,174,268
		47,483		264,483
	18,992		353,440	5,026,331
876,306	800,867	47,483	1,425,950	25,657,420
(669,217)	(545,423)	(42,907)	(1,401,845)	(447,166)
		4,500,000		4,500,000
	90,403		1,404,953	6,610,198
				(6,545,198)
	90,403	4,500,000	1,404,953	4,565,000
(669,217)	(455,020)	4,457,093	3,108	4,117,834
932,549	637,653		12,560	5,777,134
\$ 263,332	\$ 182,633	\$ 4,457,093	\$ 15,668	\$ 9,894,968

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**PIKE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ 4,117,834

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	2,476,838
Depreciation Expense	(2,450,033)
Capital Asset Disposal, Net Book Value	(49,472)

The issuance of debt (e.g. bonds, leases) provides current financial resources to governmental funds, while debt principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no affect on net assets.

Bond Proceeds - short term	(4,500,000)
Financing Obligations Principal Payments	305,166
Bond Principal Payments	370,000
Change in Net Assets of Governmental Activities	\$ 270,333

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**PIKE COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**



**PIKE COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Business-Type Activities Enterprise Fund</b>		
	<b>Solid Waste Fund</b>	<b>Jail Canteen Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,365,891	\$ 61,608	\$ 3,427,499
Assets Held for Resale	232,400		232,400
Total Current Assets	<u>3,598,291</u>	<u>61,608</u>	<u>3,659,899</u>
Noncurrent Assets:			
Capital Assets:			
Buildings	69,660		69,660
Vehicles and Equipment	5,655,625		5,655,625
Less Accumulated depreciation	<u>(3,247,017)</u>		<u>(3,247,017)</u>
Total Noncurrent Assets	<u>2,478,268</u>		<u>2,478,268</u>
Total Assets	<u>6,076,559</u>	<u>61,608</u>	<u>6,138,167</u>
<b>Liabilities</b>			
Current Liabilities			
Financing Obligations Payable	232,400		232,400
Total Current Liabilities	<u>232,400</u>		<u>232,400</u>
Noncurrent Liabilities			
Financing Obligations Payable			0
Total Noncurrent Liabilities	<u>0</u>		<u>0</u>
Total Liabilities	<u>232,400</u>		<u>232,400</u>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	2,478,268		2,478,268
Restricted for Debt Service	2,342,612		2,342,612
Unrestricted	1,023,279	61,608	1,084,887
Total Net Assets	<u>\$ 5,844,159</u>	<u>\$ 61,608</u>	<u>\$ 5,905,767</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Solid Waste Fund</b>	<b>Jail Canteen Fund</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Operating Grants	\$ 337,187	\$	\$ 337,187
Garbage Collection	3,930,814		3,930,814
Landfill User Fees	1,897,410		1,897,410
Recycling	65,543		65,543
Miscellaneous	27,517		27,517
Canteen Receipts		97,765	97,765
Total Operating Revenues	<u>6,258,471</u>	<u>97,765</u>	<u>6,356,236</u>
<b>Operating Expenses</b>			
Office Materials & Supplies	70,051		70,051
Office Expense	764,046		764,046
Maintenance Expense	214,226		214,226
Insurance	122,225		122,225
Grant Expenditures	184,392		184,392
Uniforms	7,886		7,886
Payroll Expense	2,136,750		2,136,750
Fringe Benefits	1,608,156		1,608,156
Cost of Sales		3,923	3,923
Educational and Recreational		134,151	134,151
Depreciation	294,519		294,519
Total Operating Expenses	<u>5,402,251</u>	<u>138,074</u>	<u>5,540,325</u>
Operating Income (Loss)	<u>856,220</u>	<u>(40,309)</u>	<u>815,911</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest Income	132,115		132,115
Sale of assets	67,900		67,900
Lease Payments (Interest Expense)	(28,829)		(28,829)
Total Non-operating Revenues (Expenses)	<u>171,186</u>		<u>171,186</u>
Net Income (Loss) Before Transfers	1,027,406	(40,309)	987,097
Transfers In	650,000		650,000
Transfers Out	(715,000)		(715,000)
Change In Net Assets	962,406	(40,309)	922,097
Total Net Assets - Beginning (Restated)	4,881,753	101,917	4,983,670
Total Net Assets - Ending	<u>\$ 5,844,159</u>	<u>\$ 61,608</u>	<u>\$ 5,905,767</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**



**PIKE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Solid Waste Fund</b>	<b>Jail Canteen Fund</b>	
<b>Cash Flows From Operating Activities</b>			
Receipts From Customers	\$ 5,612,283	\$ 97,765	\$ 5,710,048
Miscellaneous	27,517		27,517
Contributions From Other Agencies	281,484		281,484
Grant Receipts	337,186		337,186
Payments to Vendors	(1,362,826)		(1,362,826)
Payments to Employees	(2,136,750)		(2,136,750)
Payments of Benefits on Behalf of Employees	(1,608,156)		(1,608,156)
Vehicle Maintenance		(3,923)	(3,923)
Educational & Recreational		(134,151)	(134,151)
Net Cash Provided By			
Operating Activities	1,150,738	(40,309)	1,110,429
<b>Cash Flows From Noncapital</b>			
<b>Financing Activities</b>			
Transfers to Other Funds	(715,000)		(715,000)
Transfers from Other Funds	650,000		650,000
Net Cash Used By			
Noncapital Financing Activities	(65,000)		(65,000)
<b>Cash Flows From Capital and</b>			
<b>Related Financing Activities</b>			
Purchase of Assets	(256,433)		(256,433)
Proceeds from Sale of Assets	244,960		244,960
Principal Paid on Capital Debt	(696,217)		(696,217)
Interest Paid on Capital Debt	(28,829)		(28,829)
Net Cash Used By			
Capital and Related Financing			
Activities	(736,519)		(736,519)
<b>Cash Flows From Investing Activities</b>			
Interest Earned	132,115		132,115
Net Increase (Decrease) in Cash and Cash			
Equivalents	481,334	(40,309)	441,025
Cash and Cash Equivalents - July 1, 2007	2,884,557	101,917	2,986,474
Cash and Cash Equivalents - June 30, 2008	<u>\$ 3,365,891</u>	<u>\$ 61,608</u>	<u>\$ 3,427,499</u>
<b>Reconciliation of Operating Income to</b>			
<b>Net Cash Provided (Used) by Operating</b>			
<b>Activities</b>			
Operating Income (Loss)	\$ 856,220	\$ (40,309)	\$ 815,911
Adjustments to Reconcile Operating			
Income To Net Cash Provided (Used)			
By Operating Activities			
Depreciation Expense	294,519		294,519
Total Cash Provided By Operating			
Activities	<u>\$ 1,150,739</u>	<u>\$ (40,309)</u>	<u>\$ 1,110,430</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**PIKE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	<u><b>Agency Fund</b></u> <u><b>Inmate</b></u> <u><b>Account</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 18,550
Total Assets	<u>18,550</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>18,550</u>
Total Liabilities	<u>18,550</u>
<b>Net Assets</b>	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Pike County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Auditing Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes an organization that is legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Pike County Public Properties Corporation**

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation.

**Discretely Presented Component Units**

The component units' column in the government wide financial statements includes the data of the following organizations. It is reported on the Statement of Net Assets and the Statement of Activities in separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Pike County Interlocal 911 Board

The Pike County Interlocal 911 Board (the Board) is a legally separate entity established to provide emergency response services to Pike County. The Board's members are appointed independently of the Pike County Fiscal Court, and the Board's governing body is substantially different from that of the Fiscal Court. However, the Fiscal Court is financially accountable for the Board because the Fiscal Court must approve rate changes established by the Board and therefore does not have a separate audited financial report. This financial accountability requires management to include the Board as a component unit. The Board is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$499,536 to the Board for operating expenses in the fiscal year ending June 30, 2008. The Board reimbursed the fiscal court \$314,893. As of June 30, 2008, the balance of owed to the fiscal court was \$242,719.

Pike County Golf Management Corporation

The Pike County Golf Management Corporation (the Corporation) is a legally separate entity established to provide recreational services to Pike County. The Pike County Fiscal Court appoints the Corporation's board members, and the Corporation's governing body is substantially different from that of the Fiscal Court. The Corporation is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Board is presented discretely.

The fiscal court appropriated \$355,833 to the Corporation for operating expenses in the fiscal year ending June 30, 2008. The Corporation reimbursed the fiscal court \$150,000. As of June 30, 2008 the balance owed to the fiscal court was \$205,833.

Audited financial statements of the Pike County Golf Management Corporation can be obtained by writing the Board at 26 Hurts Branch, Pikeville, Kentucky 41501.

**C. Pike County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Pike County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities; however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pike County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements**

The primary government reports the governmental activities, business-type activities, proprietary funds, and fiduciary funds using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities and the statement of revenues, expenses and changes in fund net assets – proprietary funds.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

The primary government reports the following major governmental funds:

*General Fund* - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or when management requires that a separate fund be used for some function.

*Road Fund* - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

*Jail Fund* - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue are reimbursements from the state and federal government and transfers from other funds. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*Local Government Economic Assistance Fund* - The purpose of this fund is to account for funds earmarked for economic development. The primary sources of revenue for this fund are from the state. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*Local Government Economic Development Fund* - the purpose of this fund is to account for projects funded by the Local Economic Development funds. The primary sources of revenue are grants received from the Department for Local Government. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

*General Obligation Bond Fund* - The purpose of this fund is to account for debt service requirements of general obligation bonds of the Fiscal Court. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

*Judicial Center Bond Fund* - The purpose of this fund is to account for the construction and debt service requirements for the Judicial Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The government also has the following non-major funds: Forestry Fund, Federal Grant Fund, Maintenance Garage Fund, and Capital Lease Acquisition Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forestry Fund, Local Government Economic Development Fund, Maintenance Garage Fund, Federal Grant Fund, and the Capital Lease Acquisition Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide and Fund Financial Statements (Continued)**

Debt Service Fund

The General Obligation Bond Fund and the Judicial Center Bond Fund are used to account for the accumulation of resources for, and the payment of long-term debt principal and interest.

Proprietary Funds

The proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's proprietary funds are garbage collection fees and landfill user fees in the Solid Waste Fund and charges to customers for sales in the Jail Canteen Fund. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements of Interpretations issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary funds:

*Solid Waste Fund* - The solid waste fund operations are authorized by the Fiscal Court. The Solid Waste Fund allows for the collection and disposal of garbage from residents of Pike County. Also included in this fund is the operation of a county landfill. The Fords Branch Landfill Closing fund is included in the operations of the Solid Waste fund. The Fords Branch Landfill Closing fund collects funds during the active life of the landfill to cover final closure costs and post-closure maintenance and monitoring costs 30 years after final closure.

*Jail Canteen Fund* - The canteen operations are authorized pursuant to KRS 441.135 (1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135 (2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

*Jail Inmate Account* - This fund accounts for funds received from inmates after incarceration.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Presentation of Component Units**

The financial statements present the following major discretely presented component units: Pike County Interlocal 911 Board and Pike County Golf Management Corporation.

These component units are presented in a separate column on the Statement of Net Assets and the Statement of Activities that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	5 - 7
Infrastructure	20,000	2-40

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance cost when received or when paid, during the current period.

The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds received are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pike County Fiscal Court: Mountain Water District, Pike County Housing Authority, and the Pike County Extension Board.

**K. Jointly Governed Organization**

Pike County Fiscal Court, in conjunction with the City of Pikeville, has created the Pikeville-Pike County Airport Board (Board). The Board is composed of six appointed members, three appointed from each of the two participating governments. The Fiscal Court appropriated \$51,423 to the Board for operating expenses. The Board reimburses the Fiscal Court for these operating expenses. As of June 30, 2008, Fiscal Court had not been reimbursed and \$51,423 is recorded as a receivable.

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a financial institution's failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Short-term Debt**

In July 2007, Pike County participated in the Kentucky Association of Counties' Kentucky Advance Revenue Program by issuing a note in the amount of \$1,794,200 in the General Fund and \$349,100 in the Road Fund with principal being due in January 2008. While the county did not use the borrowed funds in order to meet current General and Road Fund expenses, they were able to invest the funds and receive net interest earnings from the Kentucky Association of Counties' Kentucky Advance Revenue Program of \$11,543 in the General Fund and \$2,246 in the Road Fund.



**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 3. Short-term Debt (Continued)**

Short-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Kentucky Advance				
Revenue Program	\$ 0	\$ 2,143,300	\$2,143,300	\$ 0
Financing Obligations				
Governmental Activities				
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 2,143,300</u>	<u>\$ 2,143,300</u>	<u>\$ 0</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 569,068	\$	\$	\$ 569,068
Construction in Progress				
Total Capital Assets Not Being Depreciated	569,068			569,068
Capital Assets, Being Depreciated:				
Land Improvements	451,960	194,718		646,678
Buildings	21,407,296	243,287		21,650,583
Vehicles and Equipment	7,148,199	394,093	(247,358)	7,294,934
Infrastructure	113,757,376	1,644,740		115,402,116
Total Capital Assets Being Depreciated	142,764,831	2,476,838	(247,358)	144,994,311
Less Accumulated Depreciation For:				
Land Improvements	(18,078)	(25,867)		(43,945)
Buildings	(8,154,591)	(453,346)		(8,607,937)
Vehicles and Equipment	(4,092,295)	(427,481)	197,886	(4,321,890)
Infrastructure	(77,630,908)	(1,543,339)		(79,174,247)
Total Accumulated Depreciation	(89,895,872)	(2,450,033)	197,886	(92,148,019)
Total Capital Assets, Being Depreciated, Net	52,868,959	26,805	(49,472)	52,846,292
Governmental Activities Capital Assets, Net	<u>\$ 53,438,027</u>	<u>\$ 26,805</u>	<u>\$ (49,472)</u>	<u>\$ 53,415,360</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$	\$ 69,660	\$	\$ 69,660
Vehicles and Equipment	6,293,000	220,995	(858,370)	5,655,625
Total Capital Assets Being Depreciated	6,293,000	290,655	(858,370)	5,725,285
Less Accumulated Depreciation For:				
Buildings		(1,548)		(1,548)
Vehicles and Equipment	(3,635,356)	(291,423)	681,310	(3,245,469)
Total Accumulated Depreciation	(3,635,356)	(292,971)	681,310	(3,247,017)
Total Capital Assets, Being Depreciated, Net	2,657,644	(2,316)	(177,060)	2,478,268
Business-Type Activities Capital Assets, Net	\$ 2,657,644	\$ (2,316)	\$ (177,060)	\$ 2,478,268

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Pike County Interlocal 911 Board <u>Component Unit Activities:</u>				
Capital Assets, Being Depreciated: Vehicles and Equipment	\$ 959,298	\$ 46,339	\$	\$ 1,005,637
Less Accumulated Depreciation For: Vehicles and Equipment	<u>(376,904)</u>	<u>(70,204)</u>	<u></u>	<u>(447,108)</u>
Component Unit Activities Capital Assets, Net	<u>\$ 582,394</u>	<u>\$ (23,865)</u>	<u>\$ 0</u>	<u>\$ 558,529</u>
Pike County Golf Management Corporation <u>Component Unit Activities:</u>				
Capital Assets, Being Depreciated: Vehicles and Equipment	\$ 464,389	\$ 53,194	\$	\$ 517,583
Less Accumulated Depreciation For: Vehicles and Equipment	<u>(304,669)</u>	<u>(30,389)</u>	<u></u>	<u>(335,058)</u>
Component Unit Activities Capital Assets, Net	\$ 159,720	\$ 22,805	\$ 0	\$ 182,525

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 296,729
Protection to Persons and Property	308,826
General Health and Sanitation	556
Social Services	1,283
Recreation and Culture	79,113
Roads	<u>1,763,526</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,450,033</u>
<u>Business-Type Activities</u>	
Solid Waste Buildings	\$ 1,548
Solid Waste Vehicles and Equipment	<u>291,423</u>
Total Depreciation Expense - Business-Type Activities	<u>292,971</u>
<u>Component Unit Activities:</u>	
Pike Co. Interlocal 911 Board	\$ 70,204
Pike Co. Golf Management Board	<u>30,389</u>
Total Depreciation Expense - Component Unit Activities	<u>\$ 100,593</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Financing Obligations**

Governmental Activities:

- A. On June 17, 1991 Pike County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for courthouse renovations. The principal amount of the lease was \$5,000,000. The agreement requires variable monthly payments for 25 years to be paid in full July 1, 2016. The principal balance of the agreement was \$2,451,591 as of June 30, 2008. The variable interest rate results in a payment schedule that may not compare to the prior year schedule. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 117,962	\$ 258,243
2010	104,804	270,732
2011	90,940	283,825
2012	76,606	297,552
2013	61,389	311,942
2014-2017	<u>85,670</u>	<u>1,029,297</u>
Totals	<u>\$ 537,371</u>	<u>\$ 2,451,591</u>

- B. On June 29, 1993 Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for an additional courthouse renovation and furniture. The principal amount of the lease was \$600,000. The agreement requires variable monthly payments for 25 years to be paid in full March 1, 2018, with a variable interest rate. The variable interest rate results in a payment schedule that may not compare the prior year schedule. The principal balance of the agreement was \$320,876 as of June 30, 2008. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 15,595	\$ 26,173
2010	14,259	27,581
2011	12,840	29,065
2012	11,374	30,629
2013	9,801	32,277
2014-2018	<u>27,719</u>	<u>175,151</u>
Totals	<u>\$ 91,588</u>	<u>\$ 320,876</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

Governmental Activities (Continued)

- C. On January 17, 2003, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 911 vehicles. The principal amount of the lease was \$75,000. The agreement requires variable monthly payments for 5 years to be paid in full January 20, 2008. The lease agreement was paid in full on January 20, 2008.
- D. On January 5, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for a Senior Citizens vehicle. The principal amount of the lease was \$20,699. The agreement requires variable monthly payments for 5 years to be paid in full January 20, 2012. The principal balance of the agreement was \$16,699 as of June 30, 2008. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 968	\$ 4,000
2010	765	4,000
2011	562	4,000
2012	<u>260</u>	<u>4,699</u>
Totals	<u>\$ 2,555</u>	<u>16,699</u>

- E. On March 22, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for a PVA vehicle. The principal amount of the lease was \$56,744. The agreement requires variable monthly payments for 4 years to be paid in full January 20, 2011. The principal balance of the agreement was \$41,744 as of June 30, 2008. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 2,016	\$ 15,000
2010	1,259	15,000
2011	<u>474</u>	<u>11,744</u>
Totals	<u>\$ 3,749</u>	<u>\$ 41,744</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

Governmental Activities (Continued)

- F. On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$296,448. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full July 20, 2008. The principal balance of the agreement was \$296,448 as of June 30, 2008. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 1,232	\$ 296,448
Totals	<u>\$ 1,232</u>	<u>\$ 296,448</u>

- G. On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$296,448. The agreement requires monthly payments due on the 20th of each month with an interest rate of 3.95% to be paid in full July 20, 2008. The principal balance of the agreement was \$296,448 as of June 30, 2008. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 1,232	\$ 296,448
Totals	<u>\$ 1,232</u>	<u>\$ 296,448</u>

Business-Type Activities

- H. On January 11, 2002, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for landfill equipment. The principal amount of the lease was \$3,775,724. The agreement requires variable monthly payments for six years to be paid in full January 20, 2008. The lease agreement was paid in full on January 20, 2008.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

Business-Type Activities (Continued)

- I. On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$116,200. The agreement requires variable monthly payments for 13 months to be paid in full July 20, 2008. The principal balance of the agreement was \$116,200 as of June 30, 2008. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 483	\$ 116,200
Totals	<u>\$ 483</u>	<u>\$ 116,200</u>

- J. On June 26, 2007, Pike County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for 2 Mack trucks. The principal amount of the lease was \$116,200. The agreement requires variable monthly payments for 13 months to be paid in full July 20, 2008. The principal balance of the agreement was \$116,200 as of June 30, 2008. Lease payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 483	\$ 116,200
Totals	<u>\$ 483</u>	<u>\$ 116,200</u>

Pike County Golf Course Management Corporation - Business-Type Activities

- K. A lease purchase agreement for the acquisition of a John Deere 1420 mower was entered into in June 2006. The agreement is with John Deere Credit payable in 36 monthly payments beginning June 2006. The monthly payments are \$456. The lease is collateralized by the greens mower and is expected to mature in June 2009. The balance at December 31, 2007 was \$7,301.
- L. A lease purchase agreement for the acquisition of a Toro Gang Reel Mower was entered into in March 2004. The agreement is with GE Capital payable in 60 monthly payments beginning April 2004. The monthly payments are \$441 inclusive of interest of 5.71%. The lease is collateralized by the mower and is expected to mature in April 2009. The balance at December 31, 2007 was \$6,711.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 5. Financing Obligations (Continued)**

Pike County Golf Course Management Corporation - Business-Type Activities (Continued)

- M. A lease purchase agreement for the acquisition of 28 golf carts was entered into in May 2007. The agreement is with Wells Fargo Financial payable in 36 monthly payments beginning May 2007. The monthly payments are \$1,478. The lease is expected to mature in April 2010. The balance at December 31, 2007 was \$41,373.

Maturities of the leases in the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Payments</u>
2008	\$ 28,242
2009	21,232
2010	<u>5,911</u>
Totals	<u>\$ 55,385</u>

**Note 6. General Obligation Bonds**

- A. In September 2004, the Pike County Fiscal Court, issued \$4,320,000 in general obligation-refunding bonds to refinance the 1997 bond issue for the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due September 1. The bonds will mature September 1, 2018. As of June 30, 2008, the principal amount outstanding was \$3,565,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 120,734	\$ 275,000
2010	112,603	290,000
2011	103,677	305,000
2012	93,821	325,000
2013	82,502	345,000
2014-2018	219,423	1,625,000
2019	<u>8,000</u>	<u>400,000</u>
Totals	<u>\$ 740,760</u>	<u>\$ 3,565,000</u>



**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. General Obligation Bonds (Continued)**

- B. On March 24, 2006, the Pike County Fiscal Court, issued \$6,400,000 in general obligation improvement bonds for improvements to the Hall of Justice. The bonds require semiannual interest payments due March 1 and September 1 and one principal payment each year due March 1. The bonds will mature March 1, 2016. As of June 30, 2008, the principal amount outstanding was \$6,185,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 279,485	\$ 115,000
2010	274,310	125,000
2011	268,685	130,000
2012	262,835	135,000
2013	256,760	140,000
2014-2018	1,184,125	790,000
2019-2023	991,975	960,000
2024-2028	756,400	1,195,000
2029-2033	459,640	1,505,000
2034-2036	100,782	1,090,000
Totals	<u>\$ 4,834,997</u>	<u>\$ 6,185,000</u>

- C. On May 7, 2008, the Pike County Fiscal Court, issued \$4,500,000 in first mortgage revenue bond anticipation notes to construct a new judicial center. The bonds require one annual principal and interest payment due May 1 of each year. The bonds will mature May 1, 2010. As of June 30, 2008, the principal amount outstanding was \$4,500,000. Bond payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 120,803	\$ 0
2010	<u>122,850</u>	<u>4,500,000</u>
Totals	<u>\$ 243,653</u>	<u>\$ 4,500,000</u>

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. General Obligation Bonds (Continued)**

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 10,120,000	\$	\$ 370,000	\$ 9,750,000	\$ 390,000
Bond Anticipation Notes		4,500,000		4,500,000	
Financing Obligations (Note 5)	3,728,972		305,166	3,423,806	896,312
Governmental Activities Long-term Liabilities	<u>\$ 13,848,972</u>	<u>\$ 4,500,000</u>	<u>\$ 675,166</u>	<u>\$ 17,673,806</u>	<u>\$ 1,286,312</u>
<u>Business-Type Activities:</u>					
Financing Obligations (Note 5)	\$ 928,617		\$ 696,217	\$ 232,400	\$ 232,400
Business-Type Activities Long-term Liabilities	<u>\$ 928,617</u>	<u>\$ 0</u>	<u>\$ 696,217</u>	<u>\$ 232,400</u>	<u>\$ 232,400</u>

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems at 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Insurance**

For the fiscal year ended June 30, 2008, Pike County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 9. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

**Note 10. Landfill Closure and Post-Closure Costs**

401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. The Ford's Branch Landfill closure plan currently calls for six phases. As of June 30, 2008, 64% of phase four of the landfill capacity had been used.

Pike County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,719,400, and estimated post closure care costs total \$13,433 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The fiscal court annually deposits \$130,000 of solid waste receipts into an account reserved for the landfill closing. At June 30, 2008, the Ford's Branch Landfill Closing Fund had a cash balance of \$2,279,455.

The Ford's Branch Landfill is scheduled to close in the year 2010. It is anticipated that sufficient funds will be available in the Ford's Branch Landfill Closing Account to pay estimated closure and post-closure costs.

**Note 11. Landfill Notice of Violation**

The Kentucky Department for Environmental Protection (DEP) has issued a repeat Notice of Violation for Subject Item GINS0000000003 (Contained Landfill) to the Division of Waste Management: Leachate outbreaks were discovered along the face of the landfill. The County's first Notice of Violation (NOV) was issued on July 12, 2006. Since follow-up inspections conducted on October 12, 2006, April 16, 2007, and August 12, 2008 reported the Leachate outbreaks were still occurring, a second NOV was issued on August 12, 2008. The second Notice of Violation stated that this violation may be referred to the division of enforcement if not corrected prior to the next inspection scheduled for April 8, 2009. Failure to comply with all remedial measures could result in enforcement action and the assessment of civil penalties of up to \$25,000 per day per violation.

**PIKE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 12. Property Taxes**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date.

**Note 13. Related Party Transactions**

The County entered into the following related party transactions, which were approved by the fiscal court:

The County expended \$4,978 with Venters Gulf Service for towing services. County Magistrate Kenneth Robinson's son owns Venters Gulf Service.

The County expended \$67,408 with East Kentucky Chemicals for cleaning supplies. The Treasurer's spouse is employed by East Kentucky Chemicals.

The County expended \$16,959 with Pauley Building Center for repairs and maintenance supplies. County Judge/Executive Wayne Rutherford's son manages the Pauley Building Center.

**Note 14. Prior Period Adjustments**

The Beginning Net Assets of the business-type activities was restated as follows:

Beginning Net Asset	\$	4,947,901
Depreciation Expense Not Recorded		82,022
Capital Asset Included in Error		(46,025)
Immaterial Adjustment		<u>(228)</u>
Adjusted Beginning Net Assets	\$	<u><u>4,983,670</u></u>

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**



**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**

**For The Year Ended June 30, 2008**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 4,303,130	\$ 4,640,210	\$ 4,531,666	\$ (108,544)
In Lieu Tax Payments	37,000	29,950	30,459	509
Excess Fees	605,000	697,362	697,362	
Licenses and Permits	243,600	246,140	247,543	1,403
Intergovernmental Revenue	1,372,577	1,745,475	1,301,382	(444,093)
Charges for Services	26,700	31,480	34,229	2,749
Miscellaneous	52,870	125,729	124,520	(1,209)
Interest	100,000	130,197	140,146	9,949
Total Revenues	<u>6,740,877</u>	<u>7,646,543</u>	<u>7,107,307</u>	<u>(539,236)</u>
<b>EXPENDITURES</b>				
General Government	3,583,268	4,458,745	3,973,915	484,830
Protection to Persons and Property	692,942	756,449	712,112	44,337
General Health and Sanitation	405,000	273,729	251,248	22,481
Social Services	137,642	119,836	115,301	4,535
Roads	159,727	164,221	131,497	32,724
Administration	1,910,642	1,860,035	1,774,521	85,514
Total Expenditures	<u>6,889,221</u>	<u>7,633,015</u>	<u>6,958,594</u>	<u>674,421</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(148,344)</u>	<u>13,528</u>	<u>148,713</u>	<u>135,185</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(51,656)</u>	<u>(829,438)</u>	<u>(693,094)</u>	<u>136,344</u>
Total Other Financing Sources (Uses)	<u>(51,656)</u>	<u>(829,438)</u>	<u>(693,094)</u>	<u>136,344</u>
Net Changes in Fund Balances	<u>(200,000)</u>	<u>(815,910)</u>	<u>(544,381)</u>	<u>271,529</u>
Fund Balances - Beginning	<u>200,000</u>	<u>879,830</u>	<u>879,830</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 63,920</u>	<u>\$ 335,449</u>	<u>\$ 271,529</u>

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 40	\$ 1,427	\$ 1,427	\$ 0
Intergovernmental Revenue	3,097,771	3,315,598	2,857,265	(458,333)
Miscellaneous	552,000	602,785	644,937	42,152
Interest		2,247	2,246	(1)
Total Revenues	3,649,811	3,922,057	3,505,875	(416,182)
<b>EXPENDITURES</b>				
Roads	4,915,325	6,902,489	4,954,592	1,947,897
Administration	1,525,396	1,526,783	1,493,255	33,528
Total Expenditures	6,440,721	8,429,272	6,447,847	1,981,425
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,790,910)	(4,507,215)	(2,941,972)	1,565,243
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	3,480,275	3,659,117	3,704,842	45,725
Transfers To Other Funds	(689,365)	(689,365)	(689,365)	
Total Other Financing Sources (Uses)	2,790,910	2,969,752	3,015,477	45,725
Net Changes in Fund Balances		(1,537,463)	73,505	1,610,968
Fund Balances - Beginning		1,537,463	1,537,463	
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,610,968	\$ 1,610,968

See accompanying notes to required supplementary information.



**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,020,439	\$ 1,977,922	\$ 2,172,837	\$ 194,915
Charges for Services	250,700	247,470	269,519	22,049
Miscellaneous	10,000	24,658	26,012	1,354
Total Revenues	<u>1,281,139</u>	<u>2,250,050</u>	<u>2,468,368</u>	<u>218,318</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	2,448,256	3,043,463	2,832,836	210,627
Administration	966,268	966,268	948,018	18,250
Total Expenditures	<u>3,414,524</u>	<u>4,009,731</u>	<u>3,780,854</u>	<u>228,877</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,133,385)</u>	<u>(1,759,681)</u>	<u>(1,312,486)</u>	<u>447,195</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>2,058,385</u>	<u>1,645,762</u>	<u>1,410,000</u>	<u>(235,762)</u>
Total Other Financing Sources (Uses)	<u>2,058,385</u>	<u>1,645,762</u>	<u>1,410,000</u>	<u>(235,762)</u>
Net Changes in Fund Balances	(75,000)	(113,919)	97,514	211,433
Fund Balances - Beginning	<u>75,000</u>	<u>113,919</u>	<u>113,920</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 211,434</u>	<u>\$ 211,433</u>

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>LGEA FUND</b>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 13,958,653	\$ 12,703,500	\$ 11,705,586	\$ (997,914)
Charges for Services		665	837	172
Miscellaneous	47,800	32,500	32,500	
Total Revenues	<u>14,006,453</u>	<u>12,736,665</u>	<u>11,738,923</u>	<u>(997,742)</u>
<b>EXPENDITURES</b>				
General Government	633,147	836,483	673,559	162,924
Protection to Persons and Property	1,250,675	1,326,870	1,201,935	124,935
General Health and Sanitation	526,413	527,413	328,212	199,201
Social Services	1,116,176	1,187,766	1,077,211	110,555
Recreation and Culture	2,178,400	2,206,613	1,379,268	827,345
Airports	109,892	109,892	93,459	16,433
Other Transportation Facilities and Services	15,000	15,000	18,352	(3,352)
Debt Service	567,385	547,606	482,796	64,810
Capital Projects	1,125,000	1,217,000	217,000	1,000,000
Administration	489,345	852,041	438,105	413,936
Total Expenditures	<u>8,011,433</u>	<u>8,826,684</u>	<u>5,909,897</u>	<u>2,916,787</u>
Excess (Deficiency) of Revenues				
Over Expenditures Before Other	<u>5,995,020</u>	<u>3,909,981</u>	<u>5,829,026</u>	<u>1,919,045</u>
Financing Sources (Uses)				
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(6,685,020)</u>	<u>(5,451,928)</u>	<u>(5,072,336)</u>	<u>379,592</u>
Total Other Financing Sources (Uses)	<u>(6,685,020)</u>	<u>(5,451,928)</u>	<u>(5,072,336)</u>	<u>379,592</u>
Net Changes in Fund Balances	(690,000)	(1,541,947)	756,690	2,298,637
Fund Balances - Beginning	<u>690,000</u>	<u>1,561,726</u>	<u>1,561,726</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 19,779</u>	<u>\$ 2,318,416</u>	<u>\$ 2,298,637</u>

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>LGED FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Miscellaneous	\$ 174,730	\$ 185,712	\$ 185,712	\$
Interest	40,000	40,000	21,377	(18,623)
Total Revenues	214,730	225,712	207,089	(18,623)
<b>EXPENDITURES</b>				
General Government	1,146,713	1,158,261	876,306	281,955
Total Expenditures	1,146,713	1,158,261	876,306	281,955
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(931,983)	(932,549)	(669,217)	263,332
Net Changes in Fund Balances	(931,983)	(932,549)	(669,217)	263,332
Fund Balances - Beginning	931,983	932,549	932,549	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 263,332</u>	<u>\$ 263,332</u>

See accompanying notes to required supplementary information.

**PIKE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances**

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund:

Budgetary Basis - Receipts	\$ 7,107,307
Less: Receivable Payment Collected From Ai	(58,076)
Less: Receivable Payment Collected From 91	(43,357)
Modified Cash Basis	<u>\$ 7,005,874</u>
 Budgetary Basis - Expenditures	 \$ 6,958,594
Less: 911 Board Expenses Paid	(242,719)
Modified Cash Basis	<u>\$ 6,715,875</u>
 Budgetary Basis - Ending Fund Balance	 \$ 335,449
Receivable Due From 911 Board	242,719
Modified Cash Basis	<u>\$ 578,168</u>

**PIKE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2008**  
**(Continued)**

**Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**

LGEA Fund:

Budgetary Basis - Expenditures	\$ 5,909,897
Less: Airport Board Expenses Paid	(51,423)
Less: Golf Management Board Expenses Paid	(205,833)
Less: Debt Service Paid to General Obligation Bond Fund	(90,403)
Modified Cash Basis	<u>\$ 5,562,238</u>

Budgetary Basis - Other Financing Obligations	\$ (5,072,336)
Add: Transfer Out -Debt Service Paid to General Obligation Bond Fund	(90,403)
Modified Cash Basis	<u>\$ (5,162,739)</u>

Budgetary Basis - Ending Fund Balance	\$ 2,318,416
Receivable Due From Airport Board	51,423
Receivable Due From Golf Management Board	205,833
Modified Cash Basis	<u>\$ 2,575,672</u>

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**PIKE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2008**





**PIKE COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -**  
**MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2008**

	<b>Forestry Fund</b>	<b>Federal Grant Fund</b>	<b>Maintenance Garage Fund</b>	<b>Capital Lease Acquisition Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 367	\$	\$ 11,287	\$ 4,014	\$ 15,668
Total Assets	<u>\$ 367</u>	<u>\$ 0</u>	<u>\$ 11,287</u>	<u>\$ 4,014</u>	<u>\$ 15,668</u>
<b>FUND BALANCES</b>					
Reserved For:					
Encumbrances	\$	\$	\$ 27,578	\$	\$ 27,578
Unreserved					
Special Revenue Funds	<u>367</u>	<u></u>	<u>(16,291)</u>	<u>4,014</u>	<u>(11,910)</u>
Total Fund Balances	<u>\$ 367</u>	<u>\$ 0</u>	<u>\$ 11,287</u>	<u>\$ 4,014</u>	<u>\$ 15,668</u>

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**

**PIKE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

	<b>Forestry Fund</b>	<b>Federal Grant Fund</b>	<b>Maintenance Garage Fund</b>
<b>REVENUES</b>			
Taxes	\$ 7,872	\$	\$
Miscellaneous			16,083
Interest			
Total Revenues	<u>7,872</u>	<u></u>	<u>16,083</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property	8,208		
Other Transportation Facilities and Services			1,064,302
Administration			353,440
Total Expenditures	<u>8,208</u>	<u></u>	<u>1,417,742</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(336)</u>	<u></u>	<u>(1,401,659)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers From Other Funds	588		1,404,365
Total Other Financing Sources (Uses)	<u>588</u>	<u></u>	<u>1,404,365</u>
Net Change in Fund Balances	252		2,706
Fund Balances - Beginning	115		8,581
Fund Balances - Ending	<u>\$ 367</u>	<u>\$ 0</u>	<u>\$ 11,287</u>

The accompanying notes are an integral part of the financial statements.

**PIKE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Capital Lease Acquisition Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$ 7,872
	16,083
150	150
150	24,105
	8,208
	1,064,302
	353,440
	1,425,950
150	(1,401,845)
	1,404,953
	1,404,953
150	3,108
3,864	12,560
\$ 4,014	\$ 15,668

The accompanying notes are an integral part of the financial statements.

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**PIKE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS**  
**June 30, 2008**





**PIKE COUNTY INTERLOCAL 911 BOARD  
 COMPONENT UNIT OF PIKE COUNTY  
 BALANCE SHEET - GOVERNMENTAL FUND - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>General Fund</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 89
Total Assets	<u>89</u>
<b>Fund Balance</b>	
Unreserved	89
Total Fund Balance	<u>\$ 89</u>

**Reconciliation of the Balance Sheet-Governmental funds to the Statement of Net Assets**

Total Fund Balance	\$ 89
Amounts Reported For Governmental Activities In the Statement Of Net Assets Are Different Because Capital Assets , Net of Accumulated Depreciation, used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds	<u>558,529</u>
Net Assets of Pike County Interlocal 911 Board	<u>\$ 558,618</u>

The accompanying notes are an integral part of the financial statements

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**PIKE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND - COMPONENT UNIT - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**PIKE COUNTY INTERLOCAL 911 BOARD  
 COMPONENT UNIT OF PIKE COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>General Fund</b>
<b>Revenues</b>	
Charges For Services	\$ 423,340
Interest	790
Total Revenues	<u>424,130</u>
<b>Expenditures</b>	
Protection To Persons and Property	463,714
Administration	38,639
Total Expenditures	<u>502,353</u>
Excess (Deficiency) Of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(78,223)</u>
Net Change in Fund Balances	(78,223)
Fund Balances-Beginning	78,312
Fund Balances-Ending	<u><u>\$ 89</u></u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
 In Fund Balance of Governmental Funds to the Statement of Activities**

Net Change in Fund Balances-Total Governmental Fund	\$ (78,223)
Government funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their useful lives and reported as depreciation expense.	
Capital Outlay	46,338
Depreciation Expense	<u>(70,204)</u>
Change in Net Assets of Pike County Interlocal 911 Board	<u><u>\$ (102,089)</u></u>

The accompanying notes are an integral part of the financial statements

**PIKE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2008**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<b>U.S. Department of Commerce</b>		
Administered by the National Oceanic and Atmospheric Administration		
PRIDE Grant-Fall Cleanup 2007 (US 23 Corridor) (CFDA #11.469)	Not Available	\$ 2,000
PRIDE Grant-Spring Cleanup 2008 (CFDA 11.469)	SC08-20	3,520
Total U.S. Department of Commerce		<u>5,520</u>
<b>U.S. Department of the Interior</b>		
<b>Office of Surface Mining Reclamation &amp; Enforcement</b>		
Passed-Through Kentucky Infrastructure Authority:		
Abandoned Mine Land Reclamation Program		
Elkhorn City Interconnector Project (CFDA #15.252)	M-02170155	32,000
Ferrell's Creek Water Project (CFDA #15.252)	M-02316635	219,248
Total U. S. Department of the Interior		<u>251,248</u>
<b>U.S. Department of Homeland Security</b>		
Assistance to Firefighters Grant (CFDA #97.044)		
	EMW-2006-FG-15593	<u>55,009</u>
Passed-Through Commonwealth Department of Military Affairs:		
Disaster Grant- Public Assistance (CFDA #97.036)		
	FEMA-1414-DR-KY	22,551
Disaster Grants- Public Assistance (CFDA #97.036)		
	FEMA-1454-DR-KY	21,545
Disaster Grant- Public Assistance (CFDA #97.036)		
	FEMA-1475-DR-KY	2,353
Disaster Grants- Public Assistance (CFDA #97.036)		
	FEMA-1523-DR-KY	42,770
Disaster Grants- Public Assistance (CFDA #97.036)		
	FEMA-1703-DR-KY	<u>303,803</u>
Total Disaster Grants-Public Assistance		393,022

See accompanying notes to the schedule of expenditures of federal awards.

**PIKE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Homeland Security</b>		
Passed-Through Commonwealth Office of Homeland Security:		
Homeland Security Grant Program		
Mobile Data Computers and Related Equipment-2007 (CFDA #97.067)	M-094-0600003550-1	\$ 969
Mobile Data Computers and Related Equipment-2008 (CFDA #97.067)	P-02-094-0700012892-2	<u>14,062</u>
Total Homeland Security Grant Program		15,031
Total U. S. Department of Homeland Security		<u>463,062</u>
<b>TOTAL FEDERAL AWARDS</b>		<u><u>\$ 719,830</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**PIKE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2008**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pike County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - The federal expenditures for Abandoned Mine Land Reclamation Program and Ferrell's Creek Water Project includes grants to the sub-recipient as follows:

<u>Sub-recipient</u>	<u>CFDA#</u>	<u>Grant Amount</u>
Mountain Water District	15.252	\$251,248



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pike County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 23, 2009, wherein we issued a qualified opinion on the aggregate discretely presented component units and referred to the report of other auditors. Pike County presents its financial statements on the modified cash basis, which is a comprehensive basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pike County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pike County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pike County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider deficiencies described in the accompanying schedule of findings and questioned costs listed as items 2008-01 and 2008-02 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do believe that the significant deficiency described above is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Pike County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Pike County Judge/Executive's response to the finding identified in our audit is included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

June 23, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wayne T. Rutherford, Pike County Judge/Executive  
Members of the Pike County Fiscal Court

Report on Compliance With Requirements  
Applicable To Each Major Program And On Internal  
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Pike County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Pike County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pike County's management. Our responsibility is to express an opinion on Pike County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pike County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pike County's compliance with those requirements.

In our opinion, Pike County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Pike County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pike County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pike County's internal control over compliance.



Report on Compliance With Requirements  
Applicable To Each Major Program And On Internal  
Control Over Compliance In Accordance With OMB Circular A-133

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Pike County's response to the finding identified in our audit is included in the accompanying schedule of findings and questioned costs. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Kentucky Governor's Office for Local Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

June 23, 2009



**PIKE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2008**

**A. SUMMARY OF AUDIT RESULTS**

1. The Auditor's report expresses unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pike County. The auditors' report also expresses a qualified opinion on the aggregate discretely presented component units of Pike County.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report.
3. No instances of noncompliance material to the financial statements of Pike County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report.
5. The auditors' report on compliance for the audit of the major federal awards programs for Pike County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Pike County reported in Part C of this schedule.
7. The program tested as a major program was: Department of Homeland Security – Public Assistance Grants – CFDA #97.036.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pike County was determined to be a high-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS**

**2008-01    Internal Controls Over Solid Waste Collections Were Weak Resulting In Apparent  
Misappropriation Of Assets Of The County**

The county's internal controls over solid waste collections did not contain sufficient checks and balances. Consequently, the solid waste department found that the amounts paid by six different customers were not actually applied to their account. These six individuals were able to document that they had actually paid the amounts in full. The receipts provided by the individuals showed the amount paid and had the initials of one employee in the department. This employee did not regularly collect payments, but would fill in for the front desk worker whenever needed. The fiscal court has investigated and provided a list of the six instances and has been able to document that \$719 had apparently been misappropriated. The fiscal court has turned this over to law enforcement officials and is awaiting an outcome.

To adequately protect against misappropriation of assets and/or fraudulent financial reporting, we recommend the fiscal court develop a system that will document the amount of cash paid on both the solid waste departments receipt and the customers receipt. This should happen instantly to prevent the manipulation of the receipt. Also we recommend that a person independent of the collection process review the daily deposit and daily receipts and agree back the daily checkout sheet. If these duties cannot be segregated due to limited staff or limited budget, then strong oversight should be provided to the employee responsible for these duties.

*County Judge/Executive's Response: The employee is no longer employed and will implement a triplicate receipt book system.*

**PIKE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS**  
**(Continued)**

**2008-02      Employee Timesheets Should Accurately Reflect Hours Worked**

In the Pike County Judge/Executive's office, an administrative employee had been off on extended leave. We determined that the employee received donated leave time starting pay period ending December 16, 2006 through pay period ending April 19, 2008. The Fiscal Court amended the administrative policy to discontinue donated leave, and the employee reportedly returned to work at that time. Auditors continued to review all subsequent timesheets through pay period ending May 16, 2009. The auditors were told the administrative employee did not actually return to work even though the time sheets reflected time worked. Ten timesheets were observed and appeared to have different signatures. An employee reported to the auditors that she was directed to sign the timesheet on behalf of the administrative employee in his absence, even though the timesheets reported that he worked on the days timesheets were due.

During a meeting with the County Judge/Executive, Wayne T. Rutherford, and the Deputy Judge, John Doug Hayes, it was stated to the auditor that a meeting occurred with the administrative employee and an arrangement was worked out by which the employee could work at home, and that when the employee was physically able, he should come to work in the office. Auditors could not substantiate that any work has been done during the period after which donated time was disallowed.

Therefore, we question the validity of all of the administrative employee's timesheets turned in after pay period ending April 19, 2008. We recommend that the Pike County Attorney determine what work has been performed and seek repayment for any wages the county may have paid for hours not worked. Additionally, we will refer this audit finding to the Attorney General for determination whether further investigation is warranted.

*County Judge/Executive's Response: The undersigned Pike County Judge/Executive points out that the administrative employee in question was at work on the date of the "second exit conference" and the field auditor present was so informed. In fact, the undersigned urged the field auditor to interview both the administrative employee and the employee assigned to assist him. These two employees should know more about the situation than any other person. However, the field auditor has admitted that he did not interview either of them.*

*The relevant parts of the Pike County Fiscal Court Administrative Code were called to the field auditor's attention. These are as follows:*

*Section 402 (1)(a) "Administrative Personnel: Administrative personnel shall be those persons whose primary duty is the performance of or other non-manual work directly related to management policies or general business operations of the Court. Administrative personnel shall be compensated with a yearly salary that will be paid in 26 bi-weekly installments.*

*Section 490 (1) All administrative personnel shall be considered to be on duty seven days a week, and shall work the hours necessary to perform their job in a efficient manner and provide the citizens of the County with the service that their job is supposed to provide.*  
*[Emphasis Added]*

**PIKE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS**  
**(Continued)**

**2008-02    Employee Timesheets Should Accurately Reflect Hours Worked (Continued)**

*The above provisions provide for a yearly salary, not an hourly salary, with said yearly salary to be paid every two weeks. While an administrative employee is to be on duty seven days a week, the hours to be worked requirement of the Code are "the hours necessary to perform their job in an efficient manner and provide the County with the service that their job is supposed to provide." The proposed amendment makes it appear that the administrative personnel are required to work forty hours a week. This may or may not be the case as can readily be seen by the Code language itself. The point is that the proposed amendment does not even address the Code requirement.*

*Finally, the undersigned notes that the purposed amendment does not address the issue of the duty of an employer, such as Pike County, to make reasonable accommodations for an employee under disability pursuant to the federal, "Americans with Disabilities Act".*

Auditor's Response: The Pike County Fiscal Court has adopted an administrative code that may allow an employee to be paid for time not worked. The Auditor of Public Accounts strongly recommends that any employee earning full-time salary and benefits who works less than a full workweek be required to use leave time or be placed on leave without pay. No public employee should be paid for time not actually worked unless accumulated leave time is charged. We recommend the Fiscal Court review and revise the current Administrative Code in order for administrative employees to be held accountable for the time actually worked.

Properly documented evidence of time worked is important for accountability to the taxpayers, as well as to confirm that employees are eligible for retirement benefits requiring 100 hours to be worked per month in accordance with KRS 78.510 (21).

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D.        SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**2007-01    The County Did Not Adequately Monitor Subrecipients Of Federal Award Programs**

Corrected.

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**PIKE COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2008**



**CERTIFICATION OF COMPLIANCE**

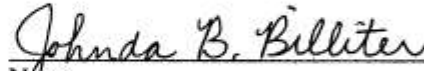
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND  
DEVELOPMENT PROGRAM**

**PIKE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2008**

The Pike County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer